

**STATEMENT OF JOHN W. SNOW
CHAIRMAN AND CEO, CSX CORPORATION AND CSX TRANSPORTATION, INC.
BEFORE THE
SURFACE TRANSPORTATION AND MERCHANT MARINE SUBCOMMITTEE,
SENATE COMMERCE, SCIENCE AND TRANSPORTATION COMMITTEE
HEARING ON MARCH 17, 2000 DECISION ISSUED BY
THE SURFACE TRANSPORTATION BOARD**

Thank you for the opportunity to present this statement for the record on behalf of CSX Corporation and CSX Transportation, Inc.

I wholeheartedly support the Surface Transportation Board's (the "Board") very important, bold and correct decision in Ex Parte No. 582, *Public Views on Major Rail Consolidations*, to suspend for 15 months any activity that would be characterized as a "major transaction" by the nation's Class I railroads pending development of new rules by the Board. This decision is a strong recognition by the STB that a BNSF/CN merger, or any other rail merger, is not in the public interest at this time.

While a longer pause would have been preferable, the Board's action clearly reflects the unstable nature of the industry and the overwhelming concern expressed by rail customers, railroad employees, the financial community and the public – all of whom are critically dependent upon a financially strong and stable freight rail system.

By proceeding with a rulemaking at this time, the Board has accomplished two very important things. It has recognized the need, first, to assess and update the standards by which mergers are reviewed by the STB given the current state of the nation's freight railroad industry, and second, to apply those standards to any future rail mergers in an orderly and rational way. To redefine merger standards while at the same time considering merger applications would invite chaos.

Many public officials, including members of this Committee, have voiced strong support for the Board's decision noting the unstable nature of the nation's freight rail system and the need for a period of calm, free from the diversion of an ill-timed merger. I too share those sentiments and firmly believe that the Board's decision gives the industry the opportunity to focus on resolving merger-related service issues, and effectively bringing recent rail mergers to a successful conclusion for the benefit of our customers and the public.

It should be noted that the Board arrived at its decision after having conducted an exhaustive review of the issue, which included several hundred statements from shippers, rail labor, financial analysts and public officials, as well as a four-day hearing during which the Board heard from more than 160 witnesses. The overwhelming majority acknowledged the industry's instability and the need for a respite from merger activity. Large customers like United Parcel Service and General Motors were clear in their positions. In fact, a vice president with UPS suggested during the four-day hearing that no new mergers be considered until at least 2002.

These companies, along with Wall Street, recognize that any merger at this time would have very negative consequences. Much-publicized rail congestion and delays resulting from recent rail mergers in the eastern and western U.S. have shaken customer confidence. A merger at this time would only add to the current instability and result in more ill timed mergers. Railroad attention would be diverted from the main task at hand – that of fixing the existing system. Finally, the industry would be destabilized even further by an almost-certain return to greater government regulation.

The net effect would be a stranglehold on our efforts to rebuild the country's railroads by destroying our ability to raise the necessary capital to maintain the health of the industry and restore shipper and investor confidence.

We must put the country's railroads on a stronger financial footing if we are going to be in a position to make the capital infusions necessary to give shippers what they need most – reliable rail transportation. I believe the Board's decision paves the way for achieving that goal.

As I stated in my testimony before the Board during the March 7 hearing, "Before we decide to take any giant steps, we should finish what we have started, learn the lessons of our mistakes, and only then proceed.....Collectively, we owe it to our customers, our employees, our shareholders and the public to get this one right."

It is because of this that CSX has filed in opposition to the two stay requests filed with the Board and will seek to have the Board's decision upheld in the Court of Appeals.

On behalf of CSX, I thank you for the opportunity to submit this statement for the record.